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17 October 1951

[Redacted Box]

Copy No. 41

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CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. X 23  
NO CHANGE IN CLASS. X  
IF DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2009  
AUTH: HR 70-2  
DATE 9-12-77 REVIEWER: [Redacted Box]

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

ARMY review(s) completed.

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GENERAL

1. Comment on Soviet note to Norway charging treaty violations:

The Soviet note to Norway protesting the establishment of bases for use of the North Atlantic Treaty Organization is in line with previous Russian protests on the occasion of Norway's adherence to NATO in 1949. Threatening in tone, the note resembles other protests to Western nations regarding NATO or German rearmament.

Although the note does not refer specifically to current US negotiations with Norway for operating rights at Norwegian air and naval installations, its timing suggests Soviet awareness of such negotiations. Charges of Norwegian violation of assurances to the USSR may somewhat prolong these negotiations or delay subsequent ratification by Norway's Parliament. The Norwegian Government has consistently refused, however, to be deterred by Soviet maneuvers.

2. French Foreign Office official suggests Big Three act together on Moscow economic conference:

A French Foreign Office official, discussing the Soviet-inspired economic conference now scheduled to be held in Moscow during December, expressed his informal opinion that the US, the UK and France should either agree publicly to call this a Soviet political maneuver and discourage acceptance, or else encourage the attendance of "courageous individuals who will speak out." An international initiating committee is currently in session, or about to meet, in Zurich to plan the agenda.

The French Government has so far "discreetly discouraged" those French industrialists, technicians, trade unionists, and public officials who have been invited to the conference.

Comment: The French have recently shown a growing reliance upon concerted action among the Big Three on all major

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25X1 international issues. Nonetheless, during the past year they have repeatedly shown interest in resuming East-West trade relations and have recently been placing increasing emphasis on France's need for additional imports from the Orbit. Bilateral French-Soviet trade discussions are now in progress, and the French are probably loath to turn down any opportunity to expand East-West trade, even though the prospective conference will not be governmental and may be exploited as a Communist propaganda forum.

#### FAR EAST

3. Chinese Nationalists will accept US recommendations on budget:

25X1A [REDACTED] The Economic Stabilization Board, on which US officials are represented as observers, will review the Chinese Nationalist budget prior to approval, according to a proposal made by the

Nationalists to the US Embassy in Taipei. The Economic Stabilization Board will make recommendations on both military and civilian sections of the budget.

As a further opportunity for the US to review the budget, the Nationalists propose that its military sections be prepared in consultation with the Military Assistance Advisory Group before it is submitted to the Board. The Nationalists also propose to submit regular statements of current expenditures and receipts to the Board.

Comment: This is a partial surrender of sovereignty which the Chinese Nationalists have found hard to accept, but the continuing financial solvency of the Nationalist Government is being assured only by US aid. To ensure the efficient use of aid funds, the US has sought effective control by American officials over Nationalist expenditures.

#### SOUTH ASIA

4. Comment on the assassination of the Pakistani Prime Minister:

The assassination of Pakistani Prime Minister Liaquat Ali Khan on 16 October increases the possibility of war between India and Pakistan in Kashmir. By removing the ablest figure in the Pakistani Government, it raises doubts as to the future stability of the regime

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and the national economy. Finally, it may necessitate a reexamination of Western policy in South Asia.

Indications are that the assassination was associated with an extremist group which opposes the Pakistani Government's go-slow policy on Kashmir and advocates direct action, including war if necessary, to break the current deadlock on that issue. If the authority of the central government is not maintained by the army in Pakistan-held Azad Kashmir, there is danger of border raids which might lead to all-out war with India.

The death of the Prime Minister leaves the Pakistani Government without a firm guiding hand. None of the four most likely successors is of the Prime Minister's caliber, and none is likely to keep the political opposition in check for any considerable period of time.

Anti-Pakistan elements inside and outside the Government of India may try to capitalize on Liaquat's death by increasing political and economic pressure on Pakistan. Considering the delicate balance which characterizes the Pakistani economy, internal difficulties and Indian pressure might cause it to collapse.

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#### NEAR EAST

##### 5. Initial Syrian and Jordanian reaction to Middle East Command:

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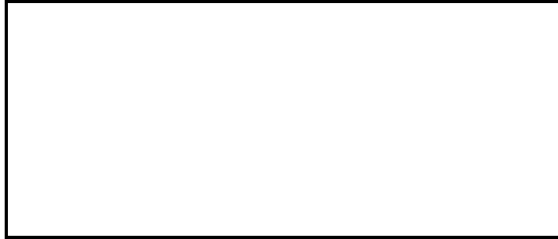
The Prime Minister of Jordan and the Syrian Chief of Staff both expressed considerable interest in the proposed Allied Middle East Command when

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US diplomatic representatives in Amman and Damascus explained the details of the plan. Both officials voiced the hope that their respective countries might participate in the Middle East defense organization.

Comment: None of the Arab States except Egypt was to be a founding member of the Middle East defense organization. The private views of these two influential Arab officials reflect the initially favorable reaction which many Arab leaders felt toward the Middle East Command proposals. It is clear, however, that the official attitude of the various Arab governments will be tempered by subsequent events in Egypt, where nationalistic demonstrations have followed Egypt's abrogation of the 1936 Anglo-Egyptian Treaty and summary rejection of the Western-proposed Middle East defense plan.

#### EASTERN EUROPE

##### 6. Yugoslav Chief of Staff concerned over West's strategic plans:

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In a conversation with General Collins, Chief of Staff Popovic expressed concern over the apparent desire of the West that Yugoslavia concentrate on holding the Ljubljana gap in the north and the

vardar gap in the south in case of a general conflict. He stated that the Yugoslav Government, for political as well as strategic reasons, must defend all parts of its national territory with equal vigor. Popovic described as unwarranted the fear that the Yugoslav army would quickly withdraw to the Bosnian mountains, exposing the Allied flanks, but, he added, neither could the Yugoslav army expose its own center by the concentration of its troops on these flanks.

Ambassador Allen reports a statement by Tito that outstanding differences on the military aid agreement were minor and could easily be solved. Tito based his plea for military assistance on the view that if any attack on Yugoslavia were prolonged, the conflict would probably expand into a general war, whereas a quick Yugoslav repulse of the Satellites would lessen this danger.

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WESTERN EUROPE

7. French refuse Italians' plea for help in gaining UN membership:

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France has refused to sponsor UN membership for Italy by a direct proposal in the General Assembly. The French Foreign Office told the Italians that its refusal was based on the difficulties in circumventing the Security Council, and advised them to apply once more to that body "to see whether the Soviets will continue to follow the same tactics and argumentation in vetoing admission. "

Comment: While the French would undoubtedly welcome a test in the Security Council, their refusal to assist the Italians at this time is probably due chiefly to their reluctance to take the lead in any Western move which might antagonize the USSR.

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